

City of Belleville, Michigan

**Financial Report
with Supplemental Information
June 30, 2008**

City of Belleville, Michigan

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Independent Auditor's Report

To the Honorable Mayor and Members
of the City Council
City of Belleville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belleville, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Belleville, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belleville, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Auditors' Report
City of Belleville, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belleville, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Alan L. Young; Assoc.".

November 10, 2008

City of Belleville, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Belleville, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008:

- The current year General Fund operations resulted in revenues over expenditures of approximately \$207,000. The primary reason for the operating surplus is City departments cutting expenditures and accounting for revenues deferred at June 30, 2007.
- Total governmental activity revenue increased approximately \$477,000 from the prior year. The most significant factor is the increase in funding from Wayne County related to the Horizon Park project, totaling \$516,000 compared to last year's \$77,500.
- Total net assets related to the City's governmental activities increased by approximately \$723,000, and business-type activities decreased by approximately \$18,000.
- The City created a new Special Revenue Fund, the Sanitation Fund, in the current year. Previously these activities were accounted for as part of the General Fund.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statement provides financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Belleville, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2008 and compared to the prior year (in thousands of dollars):

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	\$ 1,586	\$ 1,176	\$ (135)	\$ 235	\$ 1,451	\$ 1,411
Noncurrent assets	<u>2,666</u>	<u>2,243</u>	<u>3,920</u>	<u>3,761</u>	<u>6,586</u>	<u>6,004</u>
Total assets	4,252	3,419	3,785	3,996	8,037	7,415
Liabilities						
Current liabilities	709	495	293	420	1,002	915
Long-term liabilities	<u>627</u>	<u>731</u>	<u>1,852</u>	<u>1,918</u>	<u>2,479</u>	<u>2,649</u>
Total liabilities	<u>1,336</u>	<u>1,226</u>	<u>2,145</u>	<u>2,338</u>	<u>3,481</u>	<u>3,564</u>
Net Assets						
Invested in capital assets -						
Net of related debt	2,003	1,474	1,715	1,491	3,718	2,965
Restricted	437	407	225	152	662	559
Unrestricted	<u>476</u>	<u>312</u>	<u>(300)</u>	<u>15</u>	<u>176</u>	<u>327</u>
Total net assets	<u>\$ 2,916</u>	<u>\$ 2,193</u>	<u>\$ 1,640</u>	<u>\$ 1,658</u>	<u>\$ 4,556</u>	<u>\$ 3,851</u>

The City's combined net assets increased approximately 18 percent from a year ago - increasing from approximately \$3,851,000 to \$4,556,000. As we look at the governmental activities separately from the business-type activities, we can see that net assets increased approximately \$723,000, or 33 percent.

The current level of unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - for our governmental activities stands at approximately \$476,000, or about 16 percent of expenditures.

City of Belleville, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year ended June 30, 2008 as compared to the prior year (in thousands of dollars):

TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue						
Program revenue:						
Charges for services	\$ 668	\$ 626	\$ 1,051	\$ 911	\$ 1,719	\$ 1,537
Operating grants and contributions	450	477	-	-	450	477
Capital grants and contributions	591	132	-	-	591	132
General revenue:						
Property taxes	1,427	1,377	-	-	1,427	1,377
State-shared revenue	378	386	-	-	378	386
Unrestricted investment earnings	71	47	8	17	79	64
Franchise fees	74	60	-	-	74	60
Loss on disposal of capital assets	(6)	-	(1)	-	(7)	-
Miscellaneous	12	83	-	-	12	83
Total revenue	3,665	3,188	1,058	928	4,723	4,116
Program Expenses						
General government	406	516	-	-	406	516
Public safety	1,514	1,557	-	-	1,514	1,557
Public works	851	680	-	-	851	680
Health and welfare	45	60	-	-	45	60
Recreation and culture	121	127	-	-	121	127
Interest on long-term debt	5	-	-	-	5	-
Water and sewer	-	-	1,077	1,023	1,077	1,023
Total program expenses	2,942	2,940	1,077	1,023	4,019	3,963
Change in Net Assets	\$ 723	\$ 248	\$ (19)	\$ (95)	\$ 704	\$ 153

Governmental Activities

The City's total governmental revenues net of current year expenses resulted in an increase of approximately \$723,000 in net assets. The increase was primarily due to the increase in a grant from Wayne County for the Horizon Park project. The current year grant was \$516,000 compared to last year's total of \$77,500. Property tax collections also increased due to increased taxable values and interest and penalty collections on delinquent taxes. These revenue increases were offset by increased construction costs on City-administered projects and public works expenditures.

The increase in public works expenditures is due to increased overtime wages and associated fringe benefits.

City of Belleville, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. We provide water to residents from the Detroit water system. We provide sewage treatment through the downriver sewage treatment system.

Effective March 1, 2007, the City increased water and sewer user fees by 50 percent. The increased rates allowed the Water and Sewer Fund to operate above breakeven for the current year. However, due to a second consecutive year of usage reductions and increases in other outside factors, such as the cost of water and sewer treatment costs, cash flow continues to be an issue resulting in borrowings from other funds to cover operations. The City was able to decrease wage and fringe expense in the fund for the current year. For the year ended June 30, 2008, the Water and Sewer Fund produced operating income of \$93,041, a significant improvement from the prior year loss of \$19,526.

The City's Funds

Our analysis of the City's major funds begins with the governmental funds balance sheet, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major funds include the General Fund and the Public Improvements Fund.

The General Fund pays for most of the City's governmental services. The most significant is public safety, which incurred expenses of approximately \$1,392,000, or 60 percent, of the General Fund's total expenditures in 2008. The public safety department is comprised of police and fire services and is funded primarily by the City's operating millage. This same millage funds other significant activities of the General Fund.

The General Fund deficit of \$10,753 was eliminated during the current year. This was a result of increased property tax revenue, including penalties and interest collected on delinquent taxes, as well as recognizing revenue in the current year that was deferred at June 30, 2007.

The Public Improvements Fund accounts for significant capital purchases of the governmental funds. The most significant project in this fund during the year was the ongoing improvements to Horizon Park.

General Fund Budgetary Highlights

The City's total expenditures came in under budget by \$52,000. In addition, total revenues were over budget by nearly \$101,000 due primarily to additional tax revenues, charges for services, and interest income. Charges for services were over budget due to the current year recognition of approximately \$86,000 of revenue deferred at June 30, 2007. These factors resulted in the elimination of the June 30, 2007 deficit of \$10,753 and current year accumulated surplus of \$196,512.

City of Belleville, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2008, the City had approximately \$6,297,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the City has invested significantly in roads within the City. Notable capital asset acquisitions during the year include Horizon Park improvements funded by a grant from Wayne County, a new backhoe whose cost was offset by trading in the old equipment, and new fire equipment, which was purchased with federal grant proceeds.

During the current year, long-term debt of the Water and Sewer Fund was increased by \$153,099 due to additional bonds issued by Wayne County, of which the City is contractually obligated to pay a portion, in the ongoing downriver sewage system improvement project.

Economic Factors and Next Year's Budgets and Rates

The City is continuing to operate conservatively due to uncertainties in the current economy. The 2008/2009 budget for each department, particularly in the General Fund, was reviewed in great detail by the City Council in order to ensure that only necessary expenditures were included.

The City has a capital improvement millage to provide dedicated revenues for a capital replacement plan. However, due to cash flow constraints in the past few years, the City has fallen behind on its planned purchases. Certain equipment is in dire need of replacement. In order to continue a modified capital replacement plan, the City will finance various pieces of equipment for the Department of Public Works through a lease purchase agreement. Two new police cars and related equipment are planned, as well.

The City continually monitors the adequacy of the water and sewer and rubbish rates compared to operating costs. Due to the continued Water and Sewer Fund cash flow concerns and decreasing usage, the City approved a water and sewer rate increase effective July 1, 2008 of 23 percent. In addition, a rubbish rate increase of 20 percent was also approved, effective July 1, 2008. It is likely that rates will be reviewed again in the upcoming year. Any proposed increase will likely involve a public hearing to discuss the need for such an increase.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

City of Belleville, Michigan

Statement of Net Assets June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Cash and investments (Note 3)	\$ 765,535	\$ -	\$ 765,535	\$ 995,163
Receivables - Net:				
Customers	-	214,125	214,125	-
Other	95,552	4,750	100,302	290,872
Due from other governmental units	273,870	-	273,870	3,999
Due from component units (Note 5)	89,368	6,679	96,047	-
Due from primary government (Note 5)	-	-	-	12,423
Internal balances	359,967	(359,967)	-	-
Prepaid costs and other assets	1,345	-	1,345	29,391
Restricted assets (Note 1)	-	288,435	288,435	-
Nondepreciable capital assets (Note 4)	764,734	7,872	772,606	170,000
Depreciable capital assets - Net (Note 4)	1,901,487	3,623,247	5,524,734	2,197,333
Total assets	4,251,858	3,785,141	8,036,999	3,699,181
Liabilities				
Accounts payable	450,018	217,575	667,593	57,555
Due to component units (Note 5)	12,423	-	12,423	-
Due to primary government (Note 5)	-	-	-	96,047
Accrued and other liabilities	71,211	11,928	83,139	14,669
Deferred revenue (Note 6)	37,593	-	37,593	-
Noncurrent liabilities (Note 7):				
Due within one year	107,034	64,168	171,202	215,000
Due in more than one year	556,689	1,851,784	2,408,473	1,150,000
Current portion of compensated absences	30,387	-	30,387	-
Long-term portion of compensated absences	70,590	-	70,590	-
Total liabilities	1,335,945	2,145,455	3,481,400	1,533,271
Net Assets				
Invested in capital assets - Net of related debt	2,002,498	1,715,167	3,717,665	1,002,333
Restricted:				
Cemetery perpetual care	228,681	-	228,681	-
Streets and highways	181,678	-	181,678	-
Public safety	27,536	-	27,536	-
Debt service	-	224,267	224,267	-
Unrestricted	475,520	(299,748)	175,772	1,163,577
Total net assets	\$ 2,915,913	\$ 1,639,686	\$ 4,555,599	\$ 2,165,910

City of Belleville, Michigan

		Program Revenues		
		Charges for	Operating Grants and	Capital Grants and
	Expenses	Services	Contributions	Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 405,986	\$ 127,502	\$ 3,609	\$ -
Public safety	1,513,930	129,478	175,311	74,748
Public works	850,502	408,654	223,028	-
Health and welfare	44,617	1,581	47,504	-
Recreation and culture	120,783	870	-	516,099
Interest on long-term debt	5,691	-	-	-
Total governmental activities	2,941,509	668,085	449,452	590,847
Business-type activities - Water and sewer	1,076,613	1,050,917	-	-
Total primary government	\$ 4,018,122	\$ 1,719,002	\$ 449,452	\$ 590,847
Component unit - Downtown Development Authority	\$ 964,946	\$ -	\$ -	\$ -
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Loss on disposal of capital assets				
Miscellaneous				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (274,875)	\$ -	\$ (274,875)	\$ -
(1,134,393)	-	(1,134,393)	-
(218,820)	-	(218,820)	-
4,468	-	4,468	-
396,186	-	396,186	-
(5,691)	-	(5,691)	-
(1,233,125)	-	(1,233,125)	-
-	(25,696)	(25,696)	-
(1,233,125)	(25,696)	(1,258,821)	-
-	-	-	(964,946)
1,427,237	-	1,427,237	1,071,444
378,166	-	378,166	-
71,059	7,608	78,667	16,022
74,074	-	74,074	-
(6,037)	(800)	(6,837)	-
11,822	-	11,822	1,134
1,956,321	6,808	1,963,129	1,088,600
723,196	(18,888)	704,308	123,654
2,192,717	1,658,574	3,851,291	2,042,256
\$ 2,915,913	\$ 1,639,686	\$ 4,555,599	\$ 2,165,910

City of Belleville, Michigan

Governmental Funds Balance Sheet June 30, 2008

	General Fund	Public Improvements Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 44,514	\$ 141,009	\$ 580,012	\$ 765,535
Accounts receivable	63,020	-	32,532	95,552
Due from component unit (Note 5)	87,729	-	1,639	89,368
Due from other governmental units	64,448	122,626	16,926	204,000
Due from other funds (Note 5)	329,939	124,759	1,406	456,104
Prepaid expenses and other assets	1,345	-	-	1,345
Total assets	<u>\$ 590,995</u>	<u>\$ 388,394</u>	<u>\$ 632,515</u>	<u>\$ 1,611,904</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 278,742	\$ 136,209	\$ 35,067	\$ 450,018
Due to other funds (Note 5)	-	-	96,137	96,137
Due to component unit (Note 5)	-	12,423	-	12,423
Accrued and other liabilities	49,593	-	21,618	71,211
Deferred revenue (Note 6)	66,148	122,626	-	188,774
Total liabilities	394,483	271,258	152,822	818,563
Fund Balances				
Reserved for cemetery perpetual care	-	-	228,681	228,681
Unreserved, reported in:				
General Fund	196,512	-	-	196,512
Special Revenue Funds	-	117,136	251,012	368,148
Total fund balances	<u>196,512</u>	<u>117,136</u>	<u>479,693</u>	<u>793,341</u>
Total liabilities and fund balances	<u>\$ 590,995</u>	<u>\$ 388,394</u>	<u>\$ 632,515</u>	<u>\$ 1,611,904</u>
Fund Balance - Total Governmental Funds				\$ 793,341
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds				2,666,221
State revenue-sharing payment received subsequent to 60 days after year end is not reported in the funds				69,870
Amounts earned during the year but not received within 60 days after year end are not reported in the funds				151,181
Compensated absences are included as a liability in governmental activities				(100,977)
Long-term liabilities are not due and payable in the current period and are not reported in the funds				(663,723)
Net Assets of Governmental Activities				<u><u>\$ 2,915,913</u></u>

City of Belleville, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended June 30, 2008

	Major Funds		Other	
	Public	Nonmajor	Total	
	Improvements	Governmental	Governmental	
	Fund	Funds	Funds	
	General Fund			
Revenue				
Property taxes	\$ 1,334,350	\$ 92,887	\$ -	\$ 1,427,237
Federal sources	65,180	11,125	-	76,305
State sources	575,841	-	218,023	793,864
Charges for services	266,182	-	220,910	487,092
Licenses and permits	3,079	-	43,354	46,433
District Court	59,851	-	-	59,851
Interest and rent	105,838	7,015	17,268	130,121
Forfeitures	-	-	7,151	7,151
Other	135,207	464,019	6,841	606,067
Total revenue	2,545,528	575,046	513,547	3,634,121
Expenditures				
Current:				
General government	434,248	-	-	434,248
Public safety	1,392,453	-	63,040	1,455,493
Public works	303,400	-	437,777	741,177
Recreation and cultural	154,885	-	-	154,885
Administration	-	-	30,842	30,842
Capital outlay	-	606,334	8,563	614,897
Debt service	-	60,762	-	60,762
Total expenditures	2,284,986	667,096	540,222	3,492,304
Excess of Revenue Over (Under) Expenditures	260,542	(92,050)	(26,675)	141,817
Other Financing Sources (Uses)				
Transfers in	1,849	-	94,897	96,746
Transfers out	(55,126)	-	(41,620)	(96,746)
Total other financing sources (uses)	(53,277)	-	53,277	-
Contributions	-	-	5,020	5,020
Net Change in Fund Balances	207,265	(92,050)	31,622	146,837
Fund Balances (Deficit) - Beginning of year	(10,753)	209,186	448,071	646,504
Fund Balances - End of year	<u>\$ 196,512</u>	<u>\$ 117,136</u>	<u>\$ 479,693</u>	<u>\$ 793,341</u>

City of Belleville, Michigan

Governmental Funds **Reconciliation of the Statement of Revenue, Expenditures,** **and Changes in Fund Balances (Deficit) of Governmental Funds** **to the Statement of Activities** **Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds **\$ 146,837**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	591,538
Depreciation on capital assets reported as a part of governmental activities	(162,150)
Loss on disposal of capital assets reported as part of governmental activities	(6,037)
Revenue reported in the statement of activities in a previous year that did not provide current financial resources and is reported as revenue in the governmental funds in the year collected	31,602
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	105,143
Decrease in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded	<u>16,263</u>

Change in Net Assets of Governmental Activities **\$ 723,196**

City of Belleville, Michigan

Proprietary Fund Enterprise Fund - Water and Sewer Fund Statement of Assets June 30, 2008

Assets

Current assets:

Customer receivables	\$ 214,125
Due from component units (Note 5)	6,679
Interest receivable	<u>4,750</u>

Total current assets 225,554

Noncurrent assets:

Restricted assets (Note 1)	288,435
Capital assets (Note 4)	<u>3,631,119</u>

Total noncurrent assets 3,919,554

Total assets 4,145,108

Liabilities

Current liabilities:

Accounts payable	217,575
Due to other funds (Note 5)	359,967
Accrued and other liabilities	<u>11,928</u>

Total current liabilities 589,470

Noncurrent liabilities:

Current portion of long-term debt, payable from restricted assets (Note 7)	64,168
Long-term debt - Net of current portion (Note 7)	<u>1,851,784</u>

Total noncurrent liabilities 1,915,952

Total liabilities 2,505,422

Net Assets

Investment in capital assets - Net of related debt	1,715,167
Restricted for debt service	224,267
Unrestricted	<u>(299,748)</u>

Total net assets \$ 1,639,686

City of Belleville, Michigan

Proprietary Fund Enterprise Fund - Water and Sewer Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

Operating Revenue

Water sales	\$ 500,360
Sewage disposal	490,478
Charges for services	<u>60,079</u>

Total operating revenue 1,050,917

Operating Expenses

Cost of water	272,751
Cost of sewage disposal	192,536
Operations and maintenance	173,622
General and administrative	188,901
Depreciation	<u>130,066</u>

Total operating expenses 957,876

Operating Income 93,041

Nonoperating Revenue (Expense)

Loss on disposal of capital assets	(800)
Investment income	7,608
Interest expense	<u>(118,737)</u>

Total nonoperating expense (111,929)

Change in Net Assets (18,888)

Net Assets - Beginning of year 1,658,574

Net Assets - End of year \$ 1,639,686

City of Belleville, Michigan

Proprietary Fund Enterprise Fund - Water and Sewer Fund Statement of Cash Flows Year Ended June 30, 2008

Cash Flows from Operating Activities

Receipts from customers	\$ 1,167,463
Payments to suppliers	(647,700)
Payments to employees	(170,693)

Net cash provided by operating activities	349,070
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Cash Flows from Capital and Related Financing Activities

Principal and interest paid on capital debt	(392,190)
Replenishment of reserves at Wayne County	(215,896)

Net cash used in capital and related financing activities	(608,086)
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Cash Flows from Noncapital Financing Activities - Interfund borrowing	255,391
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Net Decrease in Cash and Investments	(3,625)
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Cash and Investments - Beginning of year	71,705
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Cash and Investments - End of year	\$ 68,080
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Balance Sheet Classification of Cash and Investments - Restricted cash (Note 1)	\$ 68,080
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Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ 93,041
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	130,066
Changes in assets and liabilities:	
Receivables	122,920
Due from other funds	305
Due from other governmental units	(6,679)
Accounts payable	10,157
Accrued and other liabilities	(740)

Net cash provided by operating activities	\$ 349,070
---	------------

Noncash Investing, Capital, and Financing Activities

- The County paid \$81,098 of bond and State Revolving Loan principal and interest payments related to the Downriver Sewage Improvement Project.
- Interest earned during the year on assets held at Wayne County was approximately \$5,600.
- The County issued approximately \$153,000 of additional bonds during the year related to the downriver sewage treatment system improvements.

City of Belleville, Michigan

Fiduciary Funds Agency Funds Statement of Assets and Liabilities June 30, 2008

	Trust and Agency	Current Tax Collection	Total Agency Funds
Assets			
Cash and investments	\$ 88,951	\$ 190,918	\$ 279,869
Accounts receivable	<u>227,096</u>	<u>-</u>	<u>227,096</u>
Total assets	<u>\$ 316,047</u>	<u>\$ 190,918</u>	<u>\$ 506,965</u>
Liabilities			
Accounts payable	\$ 2,989	\$ -	\$ 2,989
Accrued and other liabilities	143,932	190,918	334,850
Due to other governmental units	<u>169,126</u>	<u>-</u>	<u>169,126</u>
Total liabilities	<u>\$ 316,047</u>	<u>\$ 190,918</u>	<u>\$ 506,965</u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Belleville, Michigan (the “City”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Belleville, Michigan:

Reporting Entity

The City of Belleville, Michigan is governed by an elected five-member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Unit - The Downtown Development Authority (the “DDA”) is governed by a nine-member board that is appointed by the City Council. The DDA is reported as if it were part of the primary government because the City Council retains responsibility for the activities, finances, and commitments of the DDA. In addition, the Authority’s budget is subject to approval by the City Council. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA does not issue a separate financial report.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Note 1 - Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Public Improvements Fund - The Public Improvements Fund is a Special Revenue Fund that is used to accumulate and appropriate funds for public improvements and other capital outlay.

The City reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the City reports the following fund types:

Agency Funds - The Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When an expense is incurred for a purpose for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the City totaled approximately \$104,180,000 (a portion of which is captured by the DDA), on which ad valorem taxes levied consisted of 16.6 mills and 1.3 mills for operating and capital improvement purposes, respectively. This resulted in approximately \$1,098,000 and \$86,000 for operations and capital improvements, respectively, net of the DDA capture. These amounts are recognized in the General Fund and Capital Projects Fund financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market prices.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted Assets - The revenue bonds of the Enterprise Fund require amounts to be set aside for construction, debt service, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the County being held for the construction or debt service of the City of Belleville, Michigan's water and sewer lines.

Restricted assets at June 30, 2008 consist of the following:

County sewage disposal system bonds - Assets held at the	
County for future debt payments	\$ 220,355
Cash and cash equivalents	<u>68,080</u>
Total restricted assets	<u>\$ 288,435</u>

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 to 25 years
Water system and equipment	5 to 50 years
Sewage collection system	30 to 40 years
Equipment machinery and vehicles	5 to 20 years
Buildings and building improvements	25 years
Land improvements	20 to 25 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The annual budget is prepared by the City's management and adopted by the City Council by the first Monday in June; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

City of Belleville, Michigan

Notes to Financial Statements June 30, 2008

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. A comparison of actual results of operations to the General Fund budget and Major Special Revenue Fund budget as adopted by the City Council is included in the required supplemental information. The adopted budget for the nonmajor Special Revenue Funds can be obtained at City Hall.

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	General Fund		Public Improvements Fund	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 2,545,528	\$ 2,284,986	\$ 575,046	\$ 667,096
Operating transfers	1,849	55,126	-	-
Amounts per budgetary comparison schedule	<u>\$ 2,547,377</u>	<u>\$ 2,340,112</u>	<u>\$ 575,046</u>	<u>\$ 667,096</u>

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of Belleville, Michigan incurred expenditures that were in excess of the amounts budgeted. Significant variances are as follows:

	Budget	Actual
General Fund		
Public safety - Police	\$ 1,153,252	\$ 1,244,177
Transfers out	50,103	55,126
Public Improvements Fund - Capital outlay	221,695	606,334

Note 2 - Stewardship, Compliance, and Accountability (Continued)

The expenditure overrun in the police department is a result of pass-through grant monies received and subsequently distributed by the City. The budget was not amended for the additional disbursements; however, there is a favorable budget variance in grant revenue as well. In addition, increased salaries and overtime also contributed to the budget overrun for the department. The overrun in General Fund operating transfers out is primarily due to an unbudgeted operating subsidy transferred to the Sanitation Fund and the transfer of certain unspent grant balances to the Forfeiture Fund.

The expenditure overrun in the Public Improvements Fund was the result of additional construction expenses related to a County-funded project. The budget was not amended for the expenditures; however, the City is reimbursed by the County for these expenditures and there is a favorable budget variance in the revenues as well.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. To the extent that cash from various funds has been pooled in an investment vehicle, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Funds investment earnings are allocated to the General Fund.

The City has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

Note 3 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, City bank deposits (certificates of deposit, checking, and savings accounts) totaling \$191,134 were all insured and collateralized; the Downtown Development Authority had \$801,392 that was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. government or agency bonds	\$200,000	9 years

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 840,076	Not rated	N/A

City of Belleville, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 159,200	\$ -	\$ -	\$ 159,200
Construction in progress	77,500	528,034	-	605,534
Subtotal	236,700	528,034	-	764,734
Capital assets being depreciated:				
Land improvements	112,813	-	-	112,813
Buildings	635,800	-	-	635,800
Building improvements	386,725	-	-	386,725
Infrastructure	758,215	-	-	758,215
Equipment, machinery, and vehicles	1,479,249	63,504	(48,288)	1,494,465
Subtotal	3,372,802	63,504	(48,288)	3,388,018
Accumulated depreciation:				
Land improvements	21,438	4,738	-	26,176
Buildings	178,024	25,432	-	203,456
Building improvements	95,676	15,469	-	111,145
Infrastructure	245,299	37,911	-	283,210
Equipment, machinery, and vehicles	826,196	78,600	(42,252)	862,544
Subtotal	1,366,633	162,150	(42,252)	1,486,531
Net capital assets being depreciated	2,006,169	(98,646)	(6,036)	1,901,487
Net capital assets	<u>\$ 2,242,869</u>	<u>\$ 429,388</u>	<u>\$ (6,036)</u>	<u>\$ 2,666,221</u>

City of Belleville, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Capital Assets (Continued)

	Balance		Disposals and	Balance
Business-type Activities	July 1, 2007	Additions	Adjustments	June 30, 2008
Capital assets not being depreciated - Land	\$ 7,872	\$ -	\$ -	\$ 7,872
Capital assets being depreciated:				
Water system and equipment	963,421	-	-	963,421
Sewage collection system	5,189,389	153,099	(582)	5,341,906
Equipment and vehicles	126,191	-	(110,397)	15,794
Subtotal	6,279,001	153,099	(110,979)	6,321,121
Accumulated depreciation:				
Water system and equipment	592,233	21,318	-	613,551
Sewage collection system	1,968,888	107,773	-	2,076,661
Equipment and vehicles	116,866	975	(110,179)	7,662
Subtotal	2,677,987	130,066	(110,179)	2,697,874
Net capital assets being depreciated	3,601,014	23,033	(800)	3,623,247
Net capital assets	<u>\$ 3,608,886</u>	<u>\$ 23,033</u>	<u>\$ (800)</u>	<u>\$ 3,631,119</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 9,988
Public safety	56,150
Public works	85,497
Recreation and culture	<u>10,515</u>
Total governmental activities	<u>\$ 162,150</u>
Business-type activities - Water/Sewer	<u>\$ 130,066</u>

City of Belleville, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Capital Assets (Continued)

Capital asset activity of the Downtown Development Authority was as follows:

Component Unit Activities	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Capital assets not being depreciated - Land	\$ 170,000	\$ -	\$ -	\$ 170,000
Capital assets being depreciated:				
Land improvements	2,622,955	117,247	-	2,740,202
Buildings	65,790	-	-	65,790
Building improvements	210,000	-	-	210,000
Infrastructure	749,776	-	-	749,776
Equipment	-	5,911	-	5,911
Subtotal	3,648,521	123,158	-	3,771,679
Accumulated depreciation:				
Land improvements	1,158,739	121,628	-	1,280,367
Buildings	10,380	415	-	10,795
Building improvements	42,000	1,680	-	43,680
Infrastructure	200,833	37,489	-	238,322
Equipment	-	1,182	-	1,182
Subtotal	1,411,952	162,394	-	1,574,346
Net capital assets being depreciated	2,236,569	(39,236)	-	2,197,333
Net capital assets	<u>\$ 2,406,569</u>	<u>\$ (39,236)</u>	<u>\$ -</u>	<u>\$ 2,367,333</u>

Depreciation expense was charged to the Downtown Development Authority in the amount of \$162,394.

City of Belleville, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Water and Sewer Fund	\$ 233,802
	Other nonmajor governmental funds	96,137
Public Improvements Fund	Water and Sewer Fund	124,759
Other nonmajor governmental funds	Water and Sewer Fund	<u>1,406</u>
Total		<u>\$ 456,104</u>
Due to/from Primary Government and Component Units		
Primary government -	Component unit - Downtown	
General Fund	Development Authority	\$ 87,729
Primary government -	Component unit - Downtown	
Water and Sewer Fund	Development Authority	6,679
Primary government -	Component unit - Downtown	
Other nonmajor governmental funds	Development Authority	1,639
Component unit - Downtown	Primary government - Public	
Development Authority	Improvements Fund	<u>12,423</u>
Total		<u>\$ 108,470</u>

Interfund balances and amounts due between the City and its component unit represent routine and temporary cash flow assistance resulting from interfund activity until the amounts can be reimbursed.

City of Belleville, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

Fund Transferred To	Fund Transferred From	Amount
General Fund	Other nonmajor governmental funds	\$ 1,849 (1)
Other nonmajor governmental funds	General Fund	32,052 (2)
	General Fund	11,121 (3)
	General Fund	7,187 (4)
	General Fund	4,766 (5)
	Other nonmajor governmental funds	39,771 (6)
Total		<u>\$ 96,746</u>

(1) Transfer interest earnings from Budget Stabilization Fund

(2) Transfer operating subsidy to Cemetery Fund

(3) Transfer operating subsidy to Building Fund

(4) Transfer operating subsidy to Sanitation Fund

(5) Transfer accumulated grant funds from previous years

(6) Transfer of Act 51 funds from the Major Streets Fund to Local Streets Fund,
as allowed by state law

City of Belleville, Michigan

Notes to Financial Statements June 30, 2008

Note 6 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total
Special assessments	\$ 10,049	\$ -	\$ 10,049
Reimbursements from other governmental units received greater than 60 days after year end	5,165	-	5,165
Grant reimbursements received greater than 60 days after year end	131,550	-	131,550
Reimbursements from component units received greater than 60 days after year end	4,417	-	4,417
Administrative fees received from component unit related to future fiscal year	-	29,391	29,391
Grant payments received prior to meeting all eligibility requirements	-	8,202	8,202
Total	<u>\$ 151,181</u>	<u>\$ 37,593</u>	<u>\$ 188,774</u>

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Belleville, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Land contract:							
Amount of issue - \$90,408							
Maturing through 2008	9.0%	\$17,413	\$ 29,642	\$ -	\$ (12,229)	\$ 17,413	\$ 17,413
Land contract:							
Amount of issue - \$620,000	6.2%	\$30,986 -					
Maturing through 2016		\$59,656	419,224	-	(38,695)	380,529	41,164
Installment purchase contract - 2007 fire truck:							
Amount of issue - \$320,000	4.63%	\$48,457 -					
Maturing through 2013		\$58,073	320,000	-	(54,219)	265,781	48,457
Total installment debt obligations			768,866	-	(105,143)	663,723	107,034
Other long-term obligations - Accumulated employee benefits			117,240	-	(16,263)	100,977	30,387
Total governmental activities			886,106	-	(121,406)	764,700	137,421
Business-type Activities							
Revenue bonds:							
Water Supply and Sewer Disposal System, Series 1992A:							
Amount of issue - \$550,000							
Maturing through 2010	7.2%	\$25,000	100,000	-	(75,000)	25,000	-
Water Supply and Sewer Disposal System, Series 1994:							
Amount of issue - \$995,000	6.05% -	\$20,000 -					
Maturing through 2011	6.25%	\$100,000	280,000	-	(160,000)	120,000	-
Water Supply and Sewer Disposal System, Series 2002:							
Amount of issue - \$995,000	3.75% -	\$30,000 -					
Maturing through 2023	5.4%	\$135,000	925,000	-	(60,000)	865,000	-
County contractual obligations:							
Downriver Sewer System Debt: 15 issues							
Maturing through 2029	Various	Various	812,404	153,099	(59,551)	905,952	64,168
Total business-type activities			2,117,404	153,099	(354,551)	1,915,952	64,168
Total governmental and business-type activities			\$ 3,003,510	\$ 153,099	\$ (475,957)	\$ 2,680,652	\$ 201,589
Component Unit							
General obligation bonds:							
Limited Tax Bond, Series 1994A:							
Amount of issue - \$1,075,000	6.9% -	\$70,000 -					
Maturing through 2014	7.1%	\$100,000	\$ 565,000	\$ -	\$ (65,000)	\$ 500,000	\$ 70,000
Limited Tax Bond, Series 1994B:							
Amount of issue - \$825,000	7.20% -	\$70,000					
Maturing through 2013	7.25%		420,000	-	(70,000)	350,000	70,000
General obligation bonds:							
Amount of issue - \$950,000	5.20% -	\$75,000 -					
Maturing through 2014	5.4%	\$100,000	585,000	-	(70,000)	515,000	75,000
Total component unit			\$ 1,570,000	\$ -	\$ (205,000)	\$ 1,365,000	\$ 215,000

City of Belleville, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Unit		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 107,034	\$ 34,742	\$ 141,776	\$ 64,168	\$ 51,209	\$ 115,377	\$ 215,000	\$ 83,648	\$ 298,648
2010	94,490	2,972	97,462	222,486	69,289	291,775	220,000	69,650	289,650
2011	99,631	24,732	124,363	204,567	59,827	264,394	230,000	55,057	285,057
2012	105,059	19,304	124,363	207,868	51,946	259,814	245,000	39,596	284,596
2013	110,788	13,573	124,361	209,776	44,197	253,973	255,000	23,335	278,335
2014-2018	146,721	12,025	158,746	621,086	134,908	755,994	200,000	6,250	206,250
2019-2023	-	-	-	318,715	48,226	366,941	-	-	-
2024-2028	-	-	-	63,355	7,433	70,788	-	-	-
2029	-	-	-	3,931	-	3,931	-	-	-
Total	<u>\$ 663,723</u>	<u>\$ 107,348</u>	<u>\$ 771,071</u>	<u>\$ 1,915,952</u>	<u>\$ 467,035</u>	<u>\$ 2,382,987</u>	<u>\$ 1,365,000</u>	<u>\$ 277,536</u>	<u>\$ 1,642,536</u>

In the prior year, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At June 30, 2008, \$860,000 of bonds outstanding is considered defeased.

The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above water and sewer revenue bonds and County contractual obligations. Proceeds from the revenue bonds provided financing for the cost of improvements to the City's water supply and sewage disposal system. As discussed in Note 11, proceeds from the County bonds provided financing for improvements to the downriver sewage treatment system. The bonds and County contractual obligations are payable solely from the net revenues of the water and sewer system. The remaining principal and interest to be paid on the revenue bonds and County contractual obligations is \$1,915,592. During the current year, net revenues of the system were \$93,041 compared to the annual debt requirements of \$287,343.

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for employee injuries and medical benefit claims and participates in the Michigan Municipal Risk Management Authority risk pool (as a state pool member) for claims relating to loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 - Risk Management (Continued)

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Note 9 - Defined Benefit Pension Plan

Plan Description - The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the City's collective bargaining units.

Effective June 1, 2000, the City agreed to institute the F55/20 waiver of the Michigan Employees' Retirement System Plan. Employee contributions are .26 percent and employer contributions are .50 percent of employees' gross earnings.

Annual Pension Costs - For the year ended June 30, 2008, the City's annual pension cost of \$181,438 for the plan was equal to the required and actual contribution.

Note 9 - Defined Benefit Pension Plan (Continued)

Three-year trend information is as follows:

	Fiscal Year Ended June 30		
	2006	2007	2008
Annual pension costs (APC)	\$ 185,568	\$ 176,903	\$ 181,438
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Valuation as of December 31		
	2005	2006	2007
Actuarial value of assets	\$ 2,944,673	\$ 3,242,376	\$ 3,558,301
Actuarial accrued liability (entry age) (AAL)	\$ 4,581,155	\$ 4,787,458	\$ 5,334,916
Unfunded AAL (UAAL)	\$ 1,636,482	\$ 1,545,082	\$ 1,776,615
Funded ratio	64.28%	67.73%	66.70%
Covered payroll	\$ 984,640	\$ 988,515	\$ 934,975
UALL as a percentage of covered payroll	166.20%	156.30%	190.02%

Actuarial Methods and Assumptions - At the December 31, 2007 actuarial valuation (the most recent actuarial valuation), the entry age normal actuarial method was used. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) an additional salary increase of 0 percent to 8.4 percent per year, attributable to seniority/merit. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 28 years.

Note 10 - Postretirement Benefits

The City provides healthcare benefits and life insurance policies to certain full-time employees upon retirement in accordance with labor contracts. Currently, two retirees are eligible for each. Expenditures for postemployment benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$18,047.

Upcoming Reporting Change

The Governmental Accounting Standards Board (GASB) has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

Note 11 - Commitments

The City had been named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the downriver sewage treatment system. Several other communities, including Wayne County, were also named as defendants. Under terms of the consent decree, the communities are required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act.

Note 12 - Joint Ventures

The City of Belleville, Michigan is a member of a joint venture with Van Buren and Sumpter Townships. The purpose is to provide library services to the residents of all participating communities. The participating communities provide annual funding for its operations, and it is the City of Belleville, Michigan's responsibility to account for and remit these funds to Wayne County for services provided. During the current year, the City contributed approximately \$75,000 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the joint venture can be obtained from the administrative offices at 6 Main Street, Belleville, MI.

Note 12 - Joint Ventures (Continued)

Beginning July 1, 2006, the City of Belleville, Michigan entered into a joint venture agreement with Van Buren Township. The purpose is to provide centralized communications, detention facilities, and other related operations to the citizens of the communities for public safety, health, and welfare. The participating communities provide annual funding for its operations. During the current year, the City contributed approximately \$103,000 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial activity is maintained by Van Buren Township.

The City of Belleville, Michigan is a member of a joint venture with Van Buren Township. The purpose is to provide museum services to the residents of all participating communities. The participating communities provide annual funding for its operations. During the current year, the City contributed approximately \$18,000 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial activity is maintained by Van Buren Township. Financial statements for the joint venture can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI.

The City of Belleville, Michigan is a member of a joint venture with Van Buren Township, Huron Township, Sumpter Township, and the City of Romulus. The purpose is to provide a shared information network to the local law enforcement agencies. The participating communities provide annual funding for its operations. During the current year, the City contributed approximately \$11,200 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial activity is maintained by Van Buren Township. Financial statements for the joint venture can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI.

Required Supplemental Information

City of Belleville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 1,256,282	\$ 1,296,782	\$ 1,334,350	\$ 37,568
Federal sources	97,358	124,960	65,180	(59,780)
State sources	530,999	559,966	575,841	15,875
Charges for services	185,894	190,754	266,182	75,428
Licenses and permits	3,400	3,400	3,079	(321)
District court	61,500	61,500	59,851	(1,649)
Interest and rental income	59,100	84,700	105,838	21,138
Other	114,958	124,358	135,207	10,849
Transfer from other funds	-	-	1,849	1,849
Total revenues	2,309,491	2,446,420	2,547,377	100,957
Expenditures				
General government:				
City Council	26,220	26,220	16,210	10,010
City manager	56,582	52,807	50,376	2,431
Elections	9,615	11,115	11,138	(23)
Clerk	48,537	60,487	50,557	9,930
Treasurer	90,234	101,478	101,162	316
Municipal building	123,068	123,068	99,012	24,056
Outside services	124,600	107,445	104,055	3,390
Other	35,000	18,000	1,738	16,262
Total general government	513,856	500,620	434,248	66,372
Public safety:				
Police	1,122,880	1,153,252	1,244,177	(90,925)
Fire	139,480	160,510	148,276	12,234
Total public safety	1,262,360	1,313,762	1,392,453	(78,691)
Public works:				
Department of public works	87,220	119,511	115,098	4,413
Street lighting	20,500	21,500	21,965	(465)
Vehicle operations	11,000	-	-	-
Other	161,274	166,134	166,337	(203)
Total public works	279,994	307,145	303,400	3,745
Recreation and cultural:				
Parks	31,938	32,338	17,584	14,754
Cultural activities	18,500	18,500	18,000	500
Senior transportation	92,590	93,840	44,617	49,223
Library	75,584	75,584	74,684	900
Total recreation and cultural	218,612	220,262	154,885	65,377
Transfers to other funds	30,425	50,103	55,126	(5,023)
Total expenditures	2,305,247	2,391,892	2,340,112	51,780
Net Change in Fund Balance	4,244	54,528	207,265	152,737
Fund Deficit - Beginning of year	-	(10,753)	(10,753)	-
Fund Balance - End of year	<u>\$ 4,244</u>	<u>\$ 43,775</u>	<u>\$ 196,512</u>	<u>\$ 152,737</u>

City of Belleville, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund - Public Improvements Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 124,488	\$ 94,250	\$ 92,887	\$ (1,363)
Federal sources	-	11,125	11,125	-
Interest income	-	4,500	7,015	2,515
Other	<u>54,106</u>	<u>167,106</u>	<u>464,019</u>	<u>296,913</u>
Total revenues	178,594	276,981	575,046	298,065
Expenditures				
Capital outlay	107,045	221,695	606,334	(384,639)
Debt service	<u>71,375</u>	<u>71,375</u>	<u>60,762</u>	<u>10,613</u>
Total expenditures	<u>178,420</u>	<u>293,070</u>	<u>667,096</u>	<u>(374,026)</u>
Net Change in Fund Balance	174	(16,089)	(92,050)	(75,961)
Fund Balance - Beginning of year	<u>209,186</u>	<u>209,186</u>	<u>209,186</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 209,360</u></u>	<u><u>\$ 193,097</u></u>	<u><u>\$ 117,136</u></u>	<u><u>\$ (75,961)</u></u>

Other Supplemental Information

City of Belleville, Michigan

	Special Revenue Funds					
	Local		Budget		Building	
	Major Streets Fund	Streets Fund	Cemetery Fund	Stabilization Fund	Sanitation Fund	Department Fund
Assets						
Cash and investments	\$ 110,225	\$ 62,637	\$ 1,314	\$ 100,000	\$ -	\$ 30,989
Accounts receivable	-	-	-	-	32,532	-
Due from component units	-	-	1,100	-	-	390
Due from other governmental units	12,605	4,321	-	-	-	-
Due from other funds	-	-	-	-	1,406	-
Total assets	<u>\$ 122,830</u>	<u>\$ 66,958</u>	<u>\$ 2,414</u>	<u>\$ 100,000</u>	<u>\$ 33,938</u>	<u>\$ 31,379</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 5,305	\$ 1,577	\$ 1,751	\$ -	\$ 11,948	\$ 11,801
Accrued and other liabilities	42	1,186	663	-	149	19,578
Due to other funds	-	-	-	74,296	21,841	-
Total liabilities	5,347	2,763	2,414	74,296	33,938	31,379
Fund Balances						
Reserved for cemetery perpetual care	-	-	-	-	-	-
Unreserved, reported in Special Revenue Funds	<u>117,483</u>	<u>64,195</u>	<u>-</u>	<u>25,704</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>117,483</u>	<u>64,195</u>	<u>-</u>	<u>25,704</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 122,830</u>	<u>\$ 66,958</u>	<u>\$ 2,414</u>	<u>\$ 100,000</u>	<u>\$ 33,938</u>	<u>\$ 31,379</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

Special Revenue Funds		Permanent	Total Nonmajor Governmental Funds
Police Forfeiture Fund	Expendable Trust Fund	Cemetery Perpetual Care Fund	
\$ 30,072	\$ 16,094	\$ 228,681	\$ 580,012
-	-	-	32,532
149	-	-	1,639
-	-	-	16,926
-	-	-	1,406
<u>\$ 30,221</u>	<u>\$ 16,094</u>	<u>\$ 228,681</u>	<u>\$ 632,515</u>
\$ 2,685	\$ -	\$ -	\$ 35,067
-	-	-	21,618
-	-	-	96,137
2,685	-	-	152,822
-	-	228,681	228,681
27,536	16,094	-	251,012
<u>27,536</u>	<u>16,094</u>	<u>228,681</u>	<u>479,693</u>
<u>\$ 30,221</u>	<u>\$ 16,094</u>	<u>\$ 228,681</u>	<u>\$ 632,515</u>

City of Belleville, Michigan

	Special Revenue Funds					
	Major Streets Fund	Local Streets Fund	Cemetery Fund	Budget Stabilization Fund	Sanitation Fund	Building Department Fund
Revenue						
State sources	\$ 157,269	\$ 58,654	\$ -	\$ -	\$ -	\$ -
Interest	4,439	1,214	7,978	1,849	-	1,024
Charges for services	-	-	65,225	-	149,211	-
Forfeitures	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	43,354
Other revenue	-	-	2,580	-	-	60
Total revenue	161,708	59,868	75,783	1,849	149,211	44,438
Expenditures						
Public safety	-	-	-	-	-	55,610
Public works	89,039	95,724	96,616	-	156,398	-
Administration	14,360	5,263	11,219	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	103,399	100,987	107,835	-	156,398	55,610
Excess of Revenue Over (Under)						
Expenditures	58,309	(41,119)	(32,052)	1,849	(7,187)	(11,172)
Other Financing Sources (Uses)						
Operating transfers in	-	39,771	32,052	-	7,187	11,121
Operating transfers out	(39,771)	-	-	(1,849)	-	-
Total other financing sources (uses)	(39,771)	39,771	32,052	(1,849)	7,187	11,121
Contributions	-	-	-	-	-	-
Net Change in Fund Balance	18,538	(1,348)	-	-	-	(51)
Fund Balances - Beginning of year	98,945	65,543	-	25,704	-	51
Fund Balances - End of year	<u>\$ 117,483</u>	<u>\$ 64,195</u>	<u>\$ -</u>	<u>\$ 25,704</u>	<u>\$ -</u>	<u>\$ -</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2008

Special Revenue Funds		Permanent	
Police Forfeiture Fund	Expendable Trust Fund	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
\$ 2,100	\$ -	\$ -	\$ 218,023
764	-	-	17,268
6,474	-	-	220,910
7,151	-	-	7,151
-	-	-	43,354
3,491	710	-	6,841
19,980	710	-	513,547
7,430	-	-	63,040
-	-	-	437,777
-	-	-	30,842
8,563	-	-	8,563
15,993	-	-	540,222
3,987	710	-	(26,675)
4,766	-	-	94,897
-	-	-	(41,620)
4,766	-	-	53,277
-	-	5,020	5,020
8,753	710	5,020	31,622
18,783	15,384	223,661	448,071
\$ 27,536	\$ 16,094	\$ 228,681	\$ 479,693